

IMPROPER PAYMENTS

The Improper Payment Information Act of 2002 formalized and updated the previous requirements included in the former Section 57 of OMB Circular A-11. OMB memorandum M-03-13 dated May 21, 2003 provided implementing guidelines to agencies for the IPIA. OMB Circular A-136 provides additional guidance on the form and content of IPIA reporting, and the SBA's FY 2005 Improper Payment report is in accordance with this requirement.

The SBA's four major credit programs are currently included under IPIA reporting. They are the 7(a) Business Loan Program, the Section 504 Certified Development Company (CDC) Debenture Program, the Small Business Investment Company (SBIC) Program and the Disaster Assistance Loan Program. The SBA's risk assessment of the CDC, SBIC and Disaster Improper Payment indicate a low level of risk below the IPIA threshold of \$10 million and 2.5%, and the SBA is applying to OMB for exemption from IPIA requirements for these programs.

The Improper Payment rate for the new 7(a) guaranty purchase program has been initially estimated to be 5.2% on purchases of \$605 million in FY 2005. The centralized purchase of 7(a) guaranties was inaugurated in late FY 2004 and a new Quality Assurance Program was utilized in FY 2005 over SBA purchase centers in Herndon, VA, Fresno, CA, and Little Rock, AR. The SBA will track the reasons for any improper payments and make appropriate changes in the QAP and purchase policy and procedures to reduce the purchase error rate. This will include additional training materials to be used by SBA participating lenders around the U.S. that conduct guaranty issuance, servicing and default liquidation activities.